
A third of lower-income participants don't 'strike their match'

By Editorial Staff Thu, Nov 16, 2017

Only 67% of those earning \$35,000 to \$45,000 a year contributed enough to their 401(k) plans to get their employer's entire match, while 90% of those earning \$75,000 or more did, according to the results of a survey by MassMutual.

A new survey from MassMutual has found that participants' contributions to their workplace retirement plan increases with the income and, to a less extent, the gender of the participant. Higher incomes correlated with higher contributions, according to the 2017 MassMutual Retirement Savings & Household Income Study (Savings Study).

The internet-based study polled 1,010 Americans with annual household incomes of between \$35,000 and \$150,000.

In retirement plans where employers provide matching contributions, participants with higher incomes are much likelier to contribute a higher percentage of their income and to take full advantage of the employer match than participants with lower incomes, MassMutual found.

Overall, 84% of middle-income Americans (with household incomes of \$35,000 to \$150,000) whose employer matches contributions to a 401(k) save enough to receive the full match. But only 67% of those earning \$35,000 to \$45,000 a year contributed that much, while 90% of those earning \$75,000 or more did.

Six in 10 study respondents say their employer matches retirement plan contributions, with little variation between income levels. The matches range from 2% of an employee's salary to 7% or more, with 5% matches being the most prevalent (21%), the study showed.

Non-savers and income

Overall, lower-income workers are twice as likely as higher-income workers to skip saving in their employer's retirement plan, according to the study. Of those who do not save, income is again a big determinant.

Seven in 10 respondents with less than \$45,000 in household income said they can't afford to save for retirement compared to 23% of those earning \$75,000 or more. Other reasons for not contributing were:

- Lack of an attractive employer match or no match (23%)
- A preference to manage retirement savings outside the employer's plan (14%)
- Desire to save in a more liquid investment vehicle (14%)

Higher-income savers were also more likely to contribute a higher percentage of their income to a retirement savings plan than those with lesser incomes, the study shows. Overall, nearly half (43%) of study respondents say they contribute at least 5% and as much as 9% of their income. But those with incomes of \$45,000 or more were three times more likely to save 15% or more of their income compared to

those earning less than \$45,000.

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